



## PROGRESSIVE CONSUMPTION TAX ACT

December 2014

Our tax code should be fair for families and employers. It should help make American-based businesses more competitive and our Nation's economy stronger. And it should provide a way to responsibly and reliably collect reasonable revenues.

Recent comprehensive tax reform efforts have focused on our current income tax system—lowering the rates, and broadening the base. However, this “1986-style” reform makes it difficult to obtain rate reductions—and the provisions that pay for those rate reductions can be easy to change or roll back.

The *Progressive Consumption Tax Act* creates a Progressive Consumption Tax, or “PCT,” that changes the way the federal government raises revenue. Rather than taxing income, the PCT generates reasonable revenue by taxing the purchase of goods and services. This revenue is used to exempt most households from any federal individual income tax liability and significantly lowers the corporate income tax rate. Low- and middle-income families would be protected from unfair consumption taxation through a PCT rebate, and important benefits would be retained in a much simpler income tax code.

Every other developed country in the world, including all other Organisation for Economic Cooperation and Development (OECD) countries, have a consumption tax. A progressive consumption tax would improve America's international competitiveness by putting American-based businesses on a level playing field with foreign businesses and by lowering the U.S. corporate tax rate below the OECD average.

This version of the *Progressive Consumption Tax Act* was introduced in the current Congress to provide an opening for discussion and a first opportunity to review legislative language for this type of comprehensive tax reform. Although consumption taxes are already imposed by many countries around the world, the Act's reforms would be new to the U.S. tax code. After considering comments and analyzing its revenue impacts, the Act will be reintroduced in the 114th Congress.

Please see the FAQs and summary materials for more detailed information. If you have a suggestion on the *Progressive Consumption Tax Act*, or more questions, please email [PCT@cardin.senate.gov](mailto:PCT@cardin.senate.gov).